

PENSION REFORM COMMITTEE
MEETING OF
Wednesday, October 1, 2003
2:00 PM Meeting
202 C Street, 7th Floor
San Diego CA 92101

MINUTES

ATTENDANCE:

<u>Members Present</u>	<u>Members Absent</u>	<u>Staff Present</u>
April Boling Steve Austin Robert Butterfield Tim Considine Stanley Elmore Judith Italiano William Sheffler Richard Vortmann Kathleen Walsh-Rotto.		Patricia Frazier Chris Morris Larry Grissom Paul Barnett Dennis Gibson Pam Holmberg

Item 1: Call to Order

The Pension Reform Committee meeting was called to order by April Boling, Chairperson.

Item 2: Roll Call

Item 3: Introductory Comments by Mayor Murphy.

Mayor Murphy welcomed the members of the Committee and thanked them for their service. He said he believed the Committee members were a very talented group that brought together a diverse background and a vast knowledge of pension plans. The Mayor and Council asked the Committee to make an objective evaluation of the City's pension system and make any recommendations that they feel are appropriate. Things the Committee may consider doing, if they deem it appropriate, are looking at the retirement systems performance and how the system compares to other pension plans, both public and private. The Committee should work with the City's Retirement Board to define their relationship and how they can work together. The Retirement Board is conducting actuarial, performance and investment audits, and the Mayor hopes the committee will evaluate and use those audits and commission further audits if they feel it

is necessary. He asked that the Committee examine the unfunded liability, the structure of the Retirement Board; the type of retirement benefits the City offers; what they can afford to give; and the possibility of future employees joining the CALPERS Retirement System. The Committee's primary focus should be the pension system and, if time allows, the health benefits given to employees. The Committee is asked to report back to Council with an update in 120 days, but there is no rush or deadline for the Committee's recommendations.

Item 4: Introductory Comments by April Boling

April Boling, Chairperson, thanked all the members for coming to the special meeting on such short notice. The Retirement Board is moving forward with their requests for proposals of the proposed audits. Ms. Boling hoped to use the meeting to help establish what the Committee's relationship with the Retirement Board will be and examine how to ensure that the Committee's issues are addressed in the audits.

Item 7: Regular Meeting Schedule

It was decided that the Committee will meet every Tuesday from 4:00 pm to 6:00 pm, with the first regular meeting occurring on October 14. If possible the meetings will be held at the Retirement Board's conference room, 401 B Street, 4th floor. Ms. Boling asked that the first few meetings be used to educate the Committee on the City's pension plan and its many aspects. Larry Grissom and Paul Barnett from the City's Retirement System will prepare a presentation for the Committee outlining the Retirement System and will provide the Municipal Code and City Charter regarding the Retirement System along with the member handbook. It was requested that presentations be made in Power Point so they can be sent to members who may miss meetings.

Item 5: Comments by City Attorney

Chris Morris presented an overview of the Brown Act. The Committee operates under the Brown Act, which provides for the business of the public to be conducted in an open manner. Any means to develop a collective concurrence must be done in a public forum and cannot be achieved through a series of contacts, including e-mails or telephone calls. E-mails distributing information may be sent to the entire committee. However, discussions or e-mails between individuals are allowed as long as the conversation does not occur between the majority of the Committee. All e-mails between Committee members regarding Committee matters are public record. Public noticing policies and public comment rules were outlined. Only items on the meeting agenda can be discussed and acted on. Agendas must be posted 72 hours before any regular meeting, so members are encouraged to submit agenda items to the Chair in a timely manner. It was requested that the Committee's policy towards responding to the media be on the next meeting's agenda. A conflict of interest form was distributed to the Committee members. They were asked to review and sign the form and return it at the next meeting.

Item 6: Comments by Committee Members

There were no comments.

Item 8: San Diego City Employees' Retirement System (SDCERS) Audits

Mr. Vortmann (who is chair of the Retirement Board Audit Committee) provided an overview of the audits. There are four audits scheduled to be conducted. The conventional Financial Statement Audit, which is completed annually, confirms the funds, the asset valuations and the business liabilities. This audit does not address the liability to the retirees. The findings from this audit should be available in December. The Actuarial Audit, which is done every three years, investigates the actuarial valuations and experience valuations performed by the Systems actuary, Gabriel, Roeder, Smith & Company. The other two audits are unique and examine the operations of the system. The Best Practices Audit will examine the extent to which the System is meeting goals and objectives, the level of service provided and how that compares to other similar public retirement systems. The Investment Operations Audit will examine the System's approach to the process of managing the assets entrusted to it. A request for proposal (RFP) for the Actuarial, Best Practices and Investment Operations Audits was sent to qualified firms in late July. The Retirement Board's Audit Committee reviewed the proposals and narrowed down the search to four firms. The four firms will be making final presentations at the Audit Committee Meeting, which is open to the public, on October 15. The Audit Committee will narrow it down to the finalist(s) for each audit and will present their recommendation(s) to the Retirement Board for a final decision at the October 24 meeting.

The conventional Financial Statement Audit is well underway. The Committee will review the audit when it becomes available. The Committee hopes to be able to work with the Retirement Board to make sure that their questions are answered in the other three audits. The Committee discussed their potential level of involvement with these audits. It was noted that the City Council resolution to form the Committee directs that "...after reviewing and considering the scope and depth of audit activity currently being conducted by CERS, conduct any additional or supplemental independent audits, studies, or investigations deemed necessary and appropriate." It was felt that the Committee can approach the Retirement Board and ask to participate in the audit findings but cannot demand that the Board respond to any Committee requests. The hope is the Board will be willing to work with the Committee so all issues are addressed and any duplication of effort can be avoided. There were no suggested changes to the scope of the RFPs at this time but that could change. Ms. Boling will attend the Retirement Board meeting on October 24 and ask about representatives from the Committee being involved in further steps of the audits, perhaps as an ad hoc member of the Board's Audit Committee.

Mr. Vortmann said the Board strived to structure the audits to address as many known concerns as possible. If the Committee felt there was anything missing from the scope of any of the audits he would like to know so he can make an effort to amend the scope of the studies. He believes the Retirement Board will be open to any suggestions from the Committee but isn't sure of the level of participation the Pension Reform

Committee can have in Board and subcommittee meetings. Mr. Grissom said he would address the issue with the Retirement Board's legal advisor.

There was a question of how available to the Committee the audits will be. The final report is public record. The Retirement Board and Audit Committee meetings are open to the public. Whether or not Committee members would be able to view drafts of the audits or participate in meetings between the audit firms and the Board will be determined by the Board.

The Committee Members asked if the Committee will have a budget to conduct further audits or consult with experts if it is deemed necessary. The Mayor and City Council did not address the issue of a budget when the Committee was formed. Ms. Boling said she would address this question with the Mayor. She will express the Committee's concerns that they may need a budget in order to answer all of their questions.

Ms. Boling asked if there were any volunteers to participate in the Board's audit process. There was a concern that this could be a large commitment of time. It was agreed to discuss this matter further once the Retirement Board provided feedback on the level of Committee participation in the audit process.

Item 9: Public Comment

Ron Saathoff, President of the Fire Fighters Union and a representative on the Retirement Board, congratulated the members of the Committee on their appointments and thanked them for serving. He believes it is important that the Committee resolve its questions about budget and come to an agreement on how much it will be and whether the City or the Committee will have control over the expenditures. He asked the Committee members to be very conscious of the Brown Act and diligent in their compliance. He felt the Committee should see the Retirement system from all perspectives - the retirees, the employees, Unions, and City management for example and to make sure all perspectives get a chance to present themselves to the Committee.

Item 10: Adjournment

The meeting was adjourned at 4:00 PM. The next meeting will be Tuesday, October 14, 4:00 PM – 6:00 PM at 401 B Street, 4th floor.